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Stokes, Edward Casper

Address, delivered at the
annual dinner of Group...

[New York?]

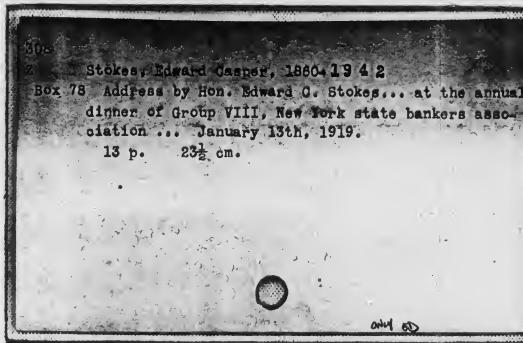
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ADDRESS

BY

Hon. Edward C. Stokes

Ex-Governor of New Jersey

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Delivered at the Annual Dinner of Group VIII
NEW YORK STATE BANKERS ASSOCIATION
at the Waldorf-Astoria
January 13th
1919

20 April 1920 (cont)

*"Individualism the source of progress:
Government Ownership the beginning
of decay"*

The Chairman Mr. Gates W. McGarrah in introducing
Ex. Gov. Stokes spoke as follows:

It is a great pleasure to feel that the average man still appreciates and delights in sincere opinions forcibly and fearlessly expressed. I am glad to be able to present our neighbor and fellow-banker, Ex-Governor Stokes, of New Jersey, who has chosen as his subject, "Individualism, the Source of Progress, Government-Ownership the Beginning of Decay."

ADDRESS OF EX. GOV. STOKES

Mr. Toastmaster, Ladies and Fellow-Philanthropists: It is no easy task to follow the distinguished Secretary of the Treasury after that eloquent speech. As he spoke he reminded me of that Homeric description of Ulysses, "From whose lips words fell like snowflakes," and as I stand here under the spell of his humanitarian and patriotic appeal my confidence would utterly fail me were it not for the fact that I am one of his protégés. He is responsible for my continuance in banking circles. When in 1913 I attempted to break into the Governorship of New Jersey for the second time, and secure a railroad pass—the real prerequisite of that office—the then Congressman Glass, realizing what a loss that would be to the banking fraternity, hurried to New Jersey to avert the calamity. He campaigned that State for my Democratic opponent, and he elected him, and since that time he and I have been working shoulder to shoulder, and my opponent, I think, has passed into history. So you know how comfortable I feel under these conditions.

Those of you, my friends, below the gallery, at some time in your lives have had the experience of "a boy out of school." A Jerseyman, freed from the Puritanic restraint of his own State, has some of that same sense of exhilaration when he finds himself loose in New York. Notwithstanding my rural innocence, I am not altogether unacquainted with New Yorkers. A goodly number of them live in our State, splendid citizens, and we have learned that they have a human side. In adaptation of the Darwinian theory of selective environment, they are past masters. They gain a livelihood in New York; they commute across the Hudson and locate their homes in New Jersey in order to bring up their families amid moral surroundings, and attend a Jersey church in expiation of whatever peculiarities they may commit in this metropolitan district.

And so we Jerseymen have great admiration for this great gateway of the nation which, at the close of the war, finds itself the clearing house and banker of the world. While, my friends, I yield to none in my admiration of this city of cities, I am not orthodox according to her standards. New York, you know, loves to pay taxes. We countrymen know that taxes are added to the cost of production, and that a bond issue which distributes the needs of government over a series of years is easier for the consumer to pay and makes the cost of living less for the rank and file.

We countrymen, too, think that taxes ought not to be so high that they cannot be paid out of the yearly earnings of an enterprise, and that when they are so burdensome that a merchant or a manufacturer has to borrow to pay them, he has ceased to be a good bankable risk, because the tax-gatherer has taken his earnings, and part of his capital. This is the simple way we poor countrymen reason.

Nor are we so altruistic that we enjoy being taxed in order to loan money abroad. We understand the old Jeffersonian idea of raising taxes for governmental expenses, but to pay taxes to enable the government to become a banker, and loan to other nations, is a species of altruism that entirely escaped our notice when we read the *Parable of the Good Samaritan*.

We are willing to loan abroad, but we countrymen are so unorthodox as to think we ought to be allowed to loan our money ourselves, rather than have the tax-collector loan it for us, and never pay us back.

Then, when we read the announcement that banking resources are to be rationed in peace, as well as in war, in order to furnish credit for rehabilitation abroad, and that there is to be a limitation of industries in this country to essentials, in our simple ignorance of the glories of the new finance, we wonder how, if industry in this country is to be limited to essentials, we shall be able to furnish employment and wages to our heroic soldiers and sailors on their return from abroad, and we wonder what becomes of that old Bible doctrine, "If any provide not for his own, especially for those of his own house, he hath denied the faith, and is worse than an infidel."

We love altruism, but altruism cannot be exercised abroad by checking industry here and impoverishing ourselves at home.

Nor, Mr. Toastmaster—and I approach this topic with a great deal of delicacy, indeed, I would not mention it were it not for the bursting of an aching heart, and the assurance, sir, that you told me that I was addressing an audience of good sports—indeed, I feel a good bit like that bank president down in a back country of my State. He had been a judge for years, and he had outlived his usefulness in that capacity, and so we retired him as a bank president. One day a stranger came into the bank to have a check cashed, and was told he must be identified. The stranger showed him letters directed to himself, showed him his name in his hat, on the lapel of his coat, and called attention to the fact that his clothes fitted him, and still the bank president was unsatisfied, and said, "You must be identified." Then the stranger, a little irritated, said, "Why Judge, you have hung men on less evidence than that." "Yes," said the Judge, "but one has to be careful when one pays out money." I know I have to be careful about what I am going to say now. Nor, Mr. Toastmaster, are we countrymen orthodox on that new Moses that you discovered over here in the bulrushes and christened the "Money Pool." We know it was born out of the philanthropic conception of the New York banking mind for our good. But every dose we take of it tastes like paregoric. You know New York has been taking toll as bankers, brokers and commission merchants, and rightly so, for the splendid service they render the trade and commerce of this country. It matters little to them whether things go up or things go down, their commissions go merrily on like the Brook of Tennyson's song. But we poor countrymen, we have a different horizon. We have seen the value of our securities, the investments of a lifetime, invested in the surplus of our little country banks, shrink under

the panic of a world war; and, Mr. Secretary, in the spirit in which you have just preached we bowed our head loyally in patriotic sacrifice, but when the clouds broke and peace dawned and the sunshine came again, and we expected our securities to rise to their normal value, and our country bank surpluses to increase, this altruistic money pool, like King Canute of old who ordered the sea to recede, forbade the rising tide of prices and did it so successfully that old Canute renounced his occupation and went to Holland in retirement. The idea of September, I think it was, was fixed as the high water mark of expansion, and when the patron went to his broker to buy the bars were up, but he could sell—oh, he could sell; and under a plan of difficult buying and easy selling the equities left by the war in our securities began to shrink again because, sooth, we were told that speculation must be curbed. Oh, it was such an easy lesson after you learned it. But we simple countrymen never knew before that it was wrong to speculate upwards but right to speculate downwards.

Some time, perhaps, the fifty millions of investors who live between the Hudson and the Golden Gate, will have their day in court, and our good friends across the Hudson will realize that rising prices spell prosperity and welfare for the great masses. Some day the transaction of a poor school-teacher, who buys a share of railroad stock, pays for half of it, and borrows the balance, to be paid as her earnings warrant—her contribution to the arteries of trade and commerce, will be looked upon as an act of business just as legitimate as the sale of a ton of coal and won't be stigmatized as speculation. And some day, the little note of that little school-teacher from the backwoods with a collateral of a share of stock, will be just as eligible to rediscount at the Federal Reserve Bank as the accepted draft drawn against a cargo of grain.

Now, Mr. Toastmaster, I promise to be good for the rest of the evening, and I am going to scatter flowers. I honor the finance of New York. I honor her splendid patriotism more. The tremendous taxes she paid ungrudgingly to the government in the hour of its need, and her large subscription to the Liberty Loan, always in excess of an excessive quota, make every American take off his hat in admiration and pride to this great metropolis. But finer than that, ah, yes, finer than that was the offer of her sons: Harry and Tribune Davison, Junius S. Morgan, Averill Harriman, Vincent Astor, Frederick Patterson, George F. Baker, Jr., John and James Wallace, the sons of A. J. Hemphill and Lovett and Francis L. Hine, the son of Secretary McAdoo, all the sons of Theodore Roosevelt, and a host of others from the wealthy homes of New York entered the service of the flag. Abraham's offer of Isaac as a sacrifice was not finer in spirit than that of these wealthy fathers of New York, who offered up their sons on the altar of their country's need. That act of theirs silenced class envy and criticism, and touched a responsive chord in the hearts and homes all over this land. Glorious New York in this hour has put to shame the demagogue who questioned her loyalty or the splendid character of her citizenship.

These are wonderful days to live—wonderful opportunities challenge achievement.

I have no sympathy with the pessimist who trembles before our present or future spirit of unrest. Sometimes I hear people talk as though they were afraid of peace. If we can win a great war, we surely

can solve the problems of peace, no, not problems, but welcome opportunities that quicken real men to action.

In this work, reconstruction they call it, it may be well to remember that innovation is not always reform, and that America may have some principles and assets worthy of preservation without change.

The banker who finds a method that works for success does not lightly cast it aside. The policies that made America a land of more happiness, more freedom, more privilege, more opportunity for the lowly than any other land on earth, must have some good in them.

Our Constitution, after a century of trial, Gladstone and Bryce declared was the greatest instrument that ever came from the brains of man. It sufficed for three millions on a narrow seaboard line. It still suffices for a hundred million over a continent's expanse. It is equally good in peace and war.

It permitted us to double our territory by the Louisiana Purchase and write our growth, religious, educational and industrial. It has stood the test of this progress and vicissitude of one hundred and thirty years with only four fundamental amendments.

Only four fundamental amendments necessary in one hundred and thirty years of our journey. Yet today there are four proposed amendments pending at one time; some of them mere statutory or police regulations.

Every patriot should hesitate before he allows the spirit of change to lay violent hands upon an instrument so tried and efficient.

The demands for a new order of things don't come from the men who have fought our battles. They want to find conditions just as they left them. They want to come back to the same father, mother, wife and children and the same old home they left, just as you, when you go back to your boyhood scenes, want to find them just as when you played among them.

The heroes abroad want none of the Bolsheviks or Socialistic failure and disorganization they have seen in Europe.

They are homesick, not for new, but for the old conditions, and we have no right, in their absence, without any opportunity on their part to vote or express opinion, to change this republic of ours from one of individual initiative and endeavor into a paternal and Socialistic government of autocratic control of business enterprises.

The chief source of America's greatness has been the individual, as it was when Athens was great, or Rome was mightiest.

In the patriotic personification of our country, we are apt to forget those individuals who founded it. We are too often addicted to phrases. "Making the world safe for democracy" is a beautiful phrase, but it means nothing. Making democracy safe for the world is the real problem.

Democracy did not make Russia safe; democracy never made America safe. It was American brains and character that made democracy and free government possible.

By common consent of the historians, the second continental congress was composed of the mightiest minds that ever gathered together in a deliberative assembly. Great men lived in those days.

Old Virginia is an illustration. Washington, Patrick Henry, Richard Henry Lee, Mason, Jefferson, Madison, Marshall and Monroe; all these men lived at one and the same time in a single one of the thirteen colonies.

The age of Pericles or Augustus produced no such galaxy of great names. Add to these the Adamses and the Otises of Massachusetts, the Hamiltons and the Clintons of this State, and the Gadsdens and the Rutledges of the Carolinas. It was these men and their contemporaries, unfettered individuals, that made the American government what it is.

The government did not make these men. The government is the result, not the cause, of individual achievement and progress.

Civilization, to survive the stress of time, must develop individuals. Science, philosophy, art, religion, business, literature, invention, transportation, are the result, not of collective, but of individual effort.

You may have looked upon some magnificent painting, like the Sistine Madonna. An individual painted that picture; the masses never painted a picture.

You may have gazed enraptured upon an artistic statue. An individual carved that statue; the masses never carved a statue.

You may have listened spellbound to some stirring oration. An individual delivered that oration; the masses never made an oration.

The masses never invented a machine, or framed a statute, or penned a poem, or shaped a cathedral, or discovered a law of gravitation. Individuals take these steps of progress alone.

The history of social development is the story of the struggle of the individual to break through the proctostrean bed of governmental dictum and restraint.

Greece was glorious while she was individual. She declined when Imperial Rome directed her energies.

Rome was strong so long as she was an aggregate of local activities, but the empire fell when a centralized government became the business empire of her people.

In the whole history of the world, there is no exception to this universal truth of the rise and fall of nations.

The free cities of the middle ages and the feudal system dwelt side by side. It was the burghers of the free cities who were the pioneers of art and literature and industry, outstripping the stagnant life of the feudal people, controlled by an overlord.

The renaissance was the protest of the individual against ecclesiastical and governmental direction of life, and when the renaissance came, the dark ages ended, and progress began, and like stars out of the firmament of the night, there came a Columbus to chart the seas, a Gutenberg with his printing press, an Erasmus with a new literature and learning, a Galileo and Copernicus to unfold the heavens, an Angelo and a Raphael to charme with art, a Newton to weigh the planets, and later, a Shakespeare to dramatize the virtues and weaknesses of the age.

Within three centuries from the outbreak of this individualism, here in the very city in which we meet tonight, the individuals to whom I have already referred, established a new government among men, deriving its just powers from the consent of the governed.

We have just finished a war between these two ideas which Abraham Lincoln said had always been in conflict from the beginning of time, the right of the individual to work out his own destiny, and the struggle of a centralized government to control it.

I place Germany and America in illustrative contrast. The German Empire, Government-Controlled and Government Owned. Ninety-two per cent of the railroads of that country owned by the government; the

telephones and telegraphs likewise; the banks, government agencies, industries under government thumb or in government partnership, the finest and the most efficient industrial organization the world ever saw, producing the most scientific war machine known in history, but a paternal rule that made its people mere working machines, barbaric and unfeeling.

I turn to America. Her railways and her telephones and her telegraphs and her industries not governmental, but individual. If her policy did not produce as great efficiency as Germany, it made real men and women, fine characters, recognized their obligations to their fellowmen, and when the efficient scientific war machine of the German Government controlled Empire met the free, unfettered individualism of America, the German machine went down to defeat, and individual America triumphed!

The one unanswerable argument of the world against government ownership is the verdict of the battlefields of Europe in favor of the American flag. And yet some people are advocating that we revise the policy that made us great, and adopt the policy of the nation that we have denounced as barbaric and uncivilized.

They forget that wealth does not consist of things, but of brains. The wealth of New York lies not in its harbors, or its buildings, or its lands, or its street railways, but in the brains of its people. If, tonight, all of the residents should leave, and never return, New York, as a deserted city, would not be worth even the tax-gatherer's attention, because its wealth would have departed with its departing citizens.

Thomas Jefferson, and I can refer to him tonight with propriety in the presence of our two honored Southern guests, Hon. Carter Glass, the Secretary of the Treasury, and Hon. John Skelton Williams, Comptroller of the Currency, of whose record we are proud, and at whose feet I like to lay a tribute of praise when opportunity offers.

Jefferson paid less than a cent an acre for his Louisiana purchase. The victorious soldiers of the Union went out and peopled it, under the Homestead Act, and that worthless waste which Jefferson bought pours out today over ten billion dollars a year in the form of its harvests, feeds one-third of the people of the world, and furnished the nourishment that made it possible for the Allies to win the war.

Government ownership of the land never did it. It was individual enterprise and initiative that made this whilom desert the granary of the world. It was the brains of individuals that fertilized this desert, and made it blossom like the rose.

A nation progresses most that permits the untrammelled development of the brains of its people, the real source of wealth.

That nation makes the least progress whose government usurps the activities of business and trade and commerce, and reduces its people to the level of bureaucratic employees.

You do not find a Morse, or a Bell, or an Edison, or a Holland, or a Wright in a governmental laboratory. You did not originate a sleeper or a dining car under governmental control.

The other day the distinguished Chief Magistrate said before Congress: "*Our people, moreover, do not wait to be coached or led. They know their own business,* are quick and resourceful at every readjustment, definite in purpose, and self-reliant in action. *Any leading strings we might seek to put them in would speedily become hopelessly tangled,*

because *they would pay no attention to them, and go their own way.*"
* * * The American business man is of quick initiative."

That statesmanlike utterance of the President means that government interference with business ought to cease.

As he spoke, the President himself was a splendid example of the unfettered individualism he then portrayed. Can you imagine Woodrow Wilson under government, or even under Congressional control?

His whole plea to Congress during the war has been for power and freedom, unfettered by governmental restraint, to work out the problem of conflict.

If we can trust the President, freed from government delay and government red tape, to solve the problems of war, we can equally trust the American business man, honest and resourceful as he is, to handle his own business affairs.

Washington, the individual, made the government.

Lincoln, the individual, saved the government.

President Wilson, the individual, abroad, is spreading its doctrines to the world. Indeed, has it not been his continuous appeal to give to the people of Europe freedom from the governmental rule and regulation under which they have lived?

Americans are surely entitled to as much consideration as the people of Europe.

Why, then, fetter the business men of America with a governmental system that every step in the world's progress has repudiated and condemned? One illustration will suffice.

It is a tribute to American initiative, honesty and efficiency. Individual enterprise pioneered the railroad systems of America. These railroad pioneers blazed the way through the wilderness and the plains, and added millions to the country's wealth, and prosperity in the cities and towns and factories and farms that sprang into being at their touch.

They achieved this with a capitalization of \$60,000 per mile as against \$109,000 in Germany, \$139,000 in France, and \$275,000 in Great Britain. They paid the highest wages, and, on the whole, charged the lowest traffic rates in the world, and on a capitalization of about one-third of the average capitalization of Great Britain and France and Germany, they moved over our roads a traffic density practically twice that of the countries named.

In the parallel between the government-owned roads of Europe, and the individual-owned roads of America, the individual-owned roads of America beat the government-owned roads of Europe practically two to one in every phase of the question.

The other night I heard a great speech by a Democrat. I always like to quote a Democrat. It warms the cockles of my heart to think he is right. Whenever I quote a Democrat I understand just why it was that the father of the prodigal son fell upon the neck of his boy and wept for joy when he returned.

This Democrat was Congressman Small, of North Carolina, Chairman of the Rivers and Harbors Committee. He said:

"The history of all republics has shown that the danger to them has been the tendency to centralization of power. The more power we give to the Federal government, the more we enervate the citizen, and the further we remove him from responsibility and opportunity to control his government.

The more we surround him with responsibilities, the better and more patriotic citizen does he remain.

I have very great pleasure in saying that, throughout the war period, there were no Democrats and there were no Republicans in Congress. The great Republican party stood with the Democratic party in a willingness to make any sacrifice, to enact any law which would contribute to a glorious victory. In doing the things which were necessary for the winning of the war, we very greatly curtailed the rights of citizenship, and placed autocratic power in the hands of our people's representative.

I do not hesitate for a moment to approve the sentiment that just as soon as practicable those great powers ought to be withdrawn and restored to the people. When we surrender those rights back to their owners, we ought not to refuse to enact legislation by which the great instrumentalities of transportation may be made more valuable to the commerce and the welfare of the country, without at the same time inflicting any injustice upon those who have invested their money in these properties.

Having, in the name of the war, taken over the railroads for the purposes of government ownership, we ought not, while operating them, to scramble them to such an extent that they cannot be unscrambled without perpetrating injustice.

Having taken over the wires and telephones in the name of war, we ought not to use that fact as a pretext for taking those properties away from their owners and converting them to the use of the United States."

Honesty, justice and fairness are all combined in Congressman Small's statesmanlike utterance and effectually disposes of the irresponsible suggestion that the railroads be returned to their owners in a bankrupt condition. Such a suggestion so shocks the sense of common honesty that it needs no serious discussion. No honest government could afford to be guilty of such a travesty upon financial morals.

The railways are the great highways of the nation. They are a proper subject for governmental co-operation and protection, to see that they are dealt with justly and deal fairly with all. Fifty millions of our citizens are interested as owners, directly or indirectly, in the enterprises. They are entitled to a just return upon their investment. The public, if there is a distinction between the fifty millions of our citizens and the public, which I doubt, is entitled to have the railroads have remunerative rates, that they may be able to render safe and efficient service. The whole country is entitled to have the railroads have remunerative rates, that capital may be attracted for development, new territories opened to provide abiding places for the increasing generations of Americans yet to come.

The country wants not cheapness, but prosperity. Shippers and passengers alike want dependable and efficient service, and they are willing to pay the price.

Government ownership in any phase is a menace to democracy. I think it means an end to democracy. It is autocracy enthroned. It could delay and hinder the transportation of the goods of the manufacturer or the merchant opposed politically to the party that happened to be in power. It could lose the newspapers that criticised it on their way to their readers, and in the hands of a fourth-rate Jersey politician

it could reduce this country to industrial slavery where the people dared only to obey like that which made Germany a menace to the world.

We believe in the rule of the people. If we can trust a free government to run the government, surely we can trust them to run their own business enterprises. The American business man, like the American banker, is honest and wants to give the best service for a reasonable return, and is more efficient in his field than a government official, because he knows more about it, and the business prospers better in his hands.

But it is always the same story since the dawn of recorded history.

Every step in the progress of the world has been a protest on the part of the individual against government control. Sometimes it is a struggle for the freedom of the press; sometimes for the right of worship; sometimes for liberty of speech or act; sometimes for the right to labor and engage in business pursuits, but always, as Lincoln has said, "It is the same struggle for the right of individual initiative."

In America it has reached its highest point, and made us the greatest republic on earth. It has given us a Washington and a Jefferson, a Grant and a Lincoln, a Garfield and a McKinley, a Roosevelt and a Wilson, differing in opinion and conviction, but all men, each the free architect of his own destiny. Americans honored at home and abroad, the product, not of a populace government-owned, but of a government people-owned, "of a Government of the people, and by the people, that shall not perish from the earth."

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